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Major China Apple Supplier Pays Workers Less Than Foxconn: A Q&A with Kevin Slaten of China Labor Watch

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Apple, the world's most beloved maker of sleek mobile phones, powerful personal computers, and slim portable music players recently reported record profits—money a new report from the New York-based nongovernmental organization China Labor Watch (CLW) says is dependent upon using cheap and exploited Chinese labor.

Upon the release last week of the full CLW report, "[Analyzing Labor Conditions of Pegatron and Foxconn: Apple's Low-Cost Reality](#)," ChinaFile caught up with one of its authors, Kevin Slaten.

Jonathan Landreth: What is Pegatron?

Kevin Slaten: Pegatron Shanghai, the factory we focused on in this report, is a subsidiary of Pegatron Group, a Taiwanese-owned major supplier of electronic products to Apple. It's one of Apple's main suppliers and over the past few years it has received a larger proportion of Apple's manufacturing orders. Pegatron Shanghai has about 80,000 workers and most of them are producing Apple products. The Pegatron Group has many locations in mainland China.

How big is Pegatron relative to [Foxconn](#) , the Taiwanese conglomerate whose Chinese factories drew Apple so much bad press in 2012?

Pegatron's revenues and their stock have started to mirror Apple's in the past year or more, whereas Foxconn's have flattened out [see: [CLW report](#), p. 5]. We've noticed through [financial and business news reports](#)  that Pegatron has gone from producing Apple's more peripheral products, like the iPhone 4 CDMA, to core products like the iPhone 6  and the iPad Mini.

Why is Apple switching suppliers in China?

Based on our research, we believe that one of the main reasons Apple is starting to rely more on Pegatron for its production is low costs by way of lower labor costs. Our report breaks down how the labor costs are lower and what this means for the worker.

How much lower are the labor costs at Pegatron?

We estimated based on the pay stubs we collected from workers at Pegatron and wage information we had from Foxconn from past investigations and recent interviews, and when we calculated all-in labor costs, the cost including things like bonuses, subsidies, the hiring costs to the company, we found an 8% difference between Foxconn's facility in Longhua and Pegatron in Shanghai.

So are wages themselves lower?

Wages are also lower. Actually, the way we calculate puts Pegatron in a more favorable light because we tried to calculate additional expenses, not just base pay. For base pay alone, there's a 21% difference. For example, the base pay for a typical production worker (after the probation period) is 2,300 RMB (about U.S. \$370) at Foxconn and 1,820 RMB (U.S. \$290) at Pegatron. What this doesn't include is that Pegatron hires an enormous number of dispatch workers who are temp workers, and they save money on these temp workers because they don't pay them full benefits and they don't have to pay wages to them in the low season.

How does China Labor Watch survey Chinese workers to access the information at the core of your recent report?


A lot of our investigations are done through direct worker interviews. For this report, we interviewed dozens of workers and we were able to do data analysis because we obtained 96 pay stubs [provided by more than 80 workers] covering work done from August to December 2014 in 25 different sections within 18 different departments in Pegatron Shanghai. Departments have thousands of workers and sections have hundreds of workers. Our sample was pretty wide within the factory.

In December, the [BBC reported](#)  that Apple's top Corporate Social Responsibility guy said that the average workweek at Pegatron was 55 hours. The investigation that we did recently clearly shows that this is very questionable. There was only one month in the five we looked at when workers averaged only 55 hours. All others they were working many more hours than that, and those are just on a weekly basis.

What can a consumer of Apple products do?

Consumers can contact Apple directly, bring to their attention the reports from NGO's like ours and other advocates, and say, "This is not enough," and say they need to put more money into labor and better labor conditions. They can also use our democratic system, which, unfortunately, is not really developed in China, to put pressure on companies like Apple to improve working conditions. There have been a number of bills proposed in the Congress to restrict sweatshop labor conditions connected to American corporations. They've constantly been shot down, but we need more support from voters to get acts like these through.

Who is the author on one of the more recent bills?

One of the major proponents of these bills is Sherrod Brown of Ohio. His [bill](#)'s been proposed two or three times but lobbyists got on it real fast because it's extremely costly to companies. Why? Because companies like Apple are looking for low-cost producers, they're looking to maximize their profit while balancing their public image. I think that's how we need to see Apple's response to these reports. It's trying to find a way to give us the image that it's doing something, so it puts out these really nice [supplier responsibility reports](#) , but in reality we're not seeing this play out on the ground, because Apple's still seeking out the lowest-cost producers. Apple has to make a decision that it's not just going to seek out a cheaper producer; it needs to invest in better working conditions.

—Editors' note: China Labor Watch sent a [letter](#) to Apple CEO Tim Cook in May 2014, but never received a response.

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